

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-11

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAM-01 SAJ-01 H-03 NSC-10 SS-20 ACDA-19 EB-11 OMB-01

DRC-01 /148 W

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R 131925Z FEB 74

FM USMISSION NATO

TO SECSTATE WASHDC 4060

SECDEF

DEPT OF COMMERCE

INFO ALL NATO CAPITALS 3701

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 0801

VIENNA FOR USDEL MBFR

E.O. 11652: GDS

TAGS: PFOR, MCAP, EFIN, NATO

SUBJ: NAC MEETING, 13 FEB 1974, AGENDA ITEM II: FINANCIAL

PROBLEMS ARISING FROM THE STATIONING OF UNITED STATES FORCES
IN EUROPE

REF: A) STATE 28373; B) STATE 29095

SUMMARY: COUNCIL DISCUSSION FOCUSED ON LAULAN REPORT
ON RECENT CONSULTATIONS IN WASHINGTON WITH U.S.
INTERAGENCY WORKING GROUP. LAULAN CITED AGREEMENT
REACHED ON CATEGORIES OF PROCUREMENT DEVELOPED BY
ECONOMIC DIRECTORATE, BELGIAN CASE STUDY, AND
SUPPLEMENTARY LIST OF ITEMS OF POTENTIAL MILITARY
USE WHICH WOULD BE ELIGIBLE. IN EXCHANGE WITH
DE STAERCKE (BELGIUM) LAULAN CLARIFIED THAT FY74 WAS
TIME PERIOD FOR CREDITABLE PROCUREMENT, BUT THAT
MILITARY PURCHASES MADE BY ALLIES THROUGH MAY 1975
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COULD BE COUNTED IF NECESSARY TO MEET DEFICIT PROVIDED
IT COULDBE DEMONSTRATED SUCH PURCHASES WERE
ADDITIONAL TO NORMAL MILITARY EXPENDITURE. DE
STAERCKE PRESSED AGAIN FOR GREATER DETAIL ON U.S.

MILITARY EXPENDITURE DATA. US REP MCAULIFFE EXPRESSED U.S. APPRECIATION FOR WORK UNDERTAKEN BY LAULAN AND FOR EXAMPLE SET BY BELGIANS IN COLLECTING DATA. HE CONFIRMED THAT DEFINITIONS PROVIDED LAULAN OF ELIGIBLE PROCUREMENT WERE OFFICIAL. LAULAN INTENDS CIRCULATE REPORT ON WASHINGTON CONSULTATIONS (SEPTEL). END SUMMARY.

1. SYG LUNS SAID THAT ALTHOUGH UNFORTUNATELY NO FURTHER PROGRESS HAD BEEN MADE IN SPECIALIZED COMMITTEES ON BURDENSARING, ITEM AGAIN ON THE AGENDA BECAUSE IT WAS LAST OPPORTUNITY FOR COUNCIL DISCUSSION PRIOR TO PRESIDENT NIXON'S FEBRUARY 16 REPORT TO CONGRESS. REVIEWING PRESENT STATUS, LUNS SAID COUNCIL STILL AWAITING MOST CURRENT FORECAST AND DETAILED BREAKDOWN OF U.S. MILITARY EXPENDITURES IN NATO EUROPE; ALLIANCE MEMBERS NOW HAVE ECONOMIC DIRECTORATE REPORT ON OVERALL BALANCE OF PAYMENTS SITUATION (ED/74/30(1)); AND MOST IMPORTANTLY, NATO ECONOMIC DIRECTOR LAULAN HAS VISITED U.S. FOR CONSULTATIONS WITH U.S. AUTHORITIES. AS RESULT OF LAULAN'S VISIT, LUNS NOTED, ALLIANCE NOW HAS CLEARER IDEA OF HOW JACKSON-NUNN AMENDMENT WILL BE INTERPRETED AND OF TYPES OF PROCUREMENT THAT WILL BE ELIGIBLE IN THIS CONTEXT. HE URGED ALL EUROPEAN ALLIES TO COMPLETE ACCOUNTING PROCEDURE WITH ECONOMIC DIRECTORATE AS SOON AS POSSIBLE.

2. IN RESPONSE TO REQUEST BY CHORAGAS (GREECE), LAULAN PRESENTED SUMMARY ORAL REPORT OF HIS WASHINGTON CONSULTATIONS. LAULAN SAID THAT IN DISCUSSIONS WITH U.S. WORKING GROUP AGREEMENT HAD BEEN REACHED ON WORK UNDERTAKEN IN NATO THUS FAR. U.S. AUTHORITIES APPROVED CATEGORIES IN QUESTIONNAIRE BEING USED BY ECONOMIC DIRECTORATE WITH ALLIES AND PROVIDED AN ADDITIONAL LISTING OF ACDA COMMODITIES OF POTENTIAL MILITARY USE WHICH WOULD CONFIDENTIAL

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BE CREDITABLE AS PROCUREMENT UNDER JACKSON-NUNN PROVIDED END-USE FOR MILITARY OR INTERNAL SECURITY PURPOSES ESTABLISHED. HE EMPHASIZED THAT HE HAD FOUND U.S. AUTHORITIES MOST UNDERSTANDING AND COOPERATIVE IN DEFINITIONS AND METHODOLOGY. TURNING TO WORK PROGRAM, LAULAN REMINDED COUNCIL THAT U.S. PRESIDENT MUST REPORT TO CONGRESS ON QUARTERLY BASIS. HIS UNDERSTANDING IS THAT FEBRUARY 16 REPORT WILL TAKE INTO ACCOUNT ACTIVITIES UNDERTAKEN IN NATO THUS FAR, AND THAT FOLLOWING REPORT ON MAY 16 SHOULD INCLUDE MORE DETAILED INFORMATION ON PROCUREMENT AND OTHER ACTION BY ALLIES TO OFFSET DEFICIT. FINAL REPORT TO CONGRESS, LAULAN CONTINUED, WOULD BE ON NOVEMBER

16 WHEN FINAL BALANCE OF PAYMENTS FIGURES FOR FY74 WOULD BE AVAILABLE. LAULAN CAUTIONED THAT WHILE U.S. AUTHORITIES WERE PREPARED TO BE LIBERAL IN NOT REQUIRING DOCUMENTATION FOR EVERY TRANSACTION, DETAILED DATA SUCH AS COLLECTED BY BELGIANS WOULD BE REQUIRED, NOT MERELY GLOBAL PROCUREMENT FIGURES.

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3. WHEN QUESTIONED BY DE STAERCKE (BELGIUM) ON TIME PERIOD FOR COMPLIANCE WITH JACKSON-NUNN, LAULAN SAID THAT ACCOUNTING OF EXPENDITURES AND RECEIPTS WOULD BE DRAWN UP ON BASIS OF U.S. FISCAL YEAR ENDING JUNE 30, 1974. IF, WHEN THIS ACCOUNTING ACCOMPLISHED DURING NOVEMBER, THERE SHOULD REMAIN A U.S. DEFICIT ON MILITARY ACCOUNT WITH NATO EUROPE, HIS UNDERSTANDING WAS THAT EUROPEAN ALLIES WOULD HAVE UNTIL MAY 16, 1975, TO OFFSET DEFICIT WITH EXTRAORDINARY PROCUREMENT BEYOND NORMAL MILITARY PURCHASES. LAULAN SAID THIS WAS AN IMPORTANT CONSIDERATION WHICH ALLIES SHOULD NOT MISINTERPRET AS MEANING JACKSON-NUNN POSES NO REAL PROBLEM FOR NATO ALLIANCE. HE CAUTIONED THAT ADDITIONALLY IN MILITARY PROCUREMENT IS DIFFICULT TO IDENTIFY, AMBIGUOUS, AND SUBJECT TO INTERPRETATION. DE STAERCKE PERSISTED WITH HYPOTHETICAL QUESTIONS AS TO WHAT WOULD HAPPEN IF U.S. HAD A MILITARY DEFICIT WITH BELGIUM AT END OF JUNE 1974, AND WHAT TIME PERIOD WOULD BE ALLOWED TO COVER DEFICIT. LAULAN RESPONDED
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BY REMINDING COUNCIL THAT JACKSON-NUNN WAS CONCERNED WITH NATO-WIDE RATHER THAN INDIVIDUAL COUNTRY DEFICITS, AND THAT ONLY CLEARLY EXTRAORDINARY MILITARY PURCHASES MADE AFTER JUNE 1974 COULD BE CONSIDERED. ANY OTHER INTERPRETATION WOULD MAKE ENTIRE AMENDMENT MEANINGLESS. LAULAN STRESSED THAT HE HAD FOUND UNDERSTANDING AND GOOD-WILL ON U.S. SIDE, AND THAT ALLIES SHOULD GET ON WITH IDENTIFYING PROCUREMENT DURING THIS FISCAL YEAR.

4. DE STAERCKE AGAIN STRESSED NEED FOR U.S. TO PROVIDE SAME DETAIL OF U.S. MILITARY EXPENDITURES WHICH IT WAS REQUIRING REGARDING RECEIPTS. HE THEN ASKED WHAT WAS BEING DONE TO IDENTIFY PROCUREMENT IN THE U.S. UNDER MULTILATERAL PROGRAMS SUCH AS NICSMA, NAMSA AND INFRASTRUCTURE. LAULAN COMMENTED THAT STUDIES WILL HAVE TO BE MADE IN THOSE ORGANIZATIONS.

5. MCAULIFFE SAID U.S. AUTHORITIES FROM ALL AGENCIES CONCERNED WERE PLEASED WITH CONSULTATIONS WITH LAULAN. THEY WERE IMPRESSED WITH WORK DONE TO DATE BY ECONOMIC DIRECTORATE, AND PARTICULARLY WITH BELGIAN EXAMPLE. HE WAS ABLE TO CONFIRM THAT DEFINITIONS OF ELIGIBLE MILITARY TRANSACTIONS PROVIDED LAULAN WERE OFFICIAL, THAT ALL CATEGORIES ON BELGIAN EXAMPLE WERE ACCEPTABLE, AND THAT U.S. WAS WILLING TO CONSIDER ITEMS ON SUPPLEMENTARY LIST GIVEN LAULAN PROVIDED THEY ARE INTENDED FOR MILITARY, INTERNAL SECURITY OR DEFENSE RELATED ATOMIC ENERGY PURPOSES. THE U.S. WAS GRATEFUL FOR EFFORT MADE THUS FAR AND HOPED OTHER ALLIES WOULD EMULATE BELGIAN EXAMPLE. MCAULIFFE ALSO SAID THAT U.S. HAD ALREADY DEDUCTED FROM OVERALL U.S. EXPENDITURES FIGURE OF \$2.5 BILLION THOSE EXPENDITURES NOT RELATED TO NATO COMMITMENTS, SUCH AS CERTAIN STRATEGIC COSTS AND PURCHASE OF HARRIER AIRCRAFT.

6. LUNS CONCLUDED WITH EXPRESSION OF SATISFACTION THAT LAULAN'S VISIT HAD BEEN SUCCESSFUL IN CLARIFYING SITUATION AND CORRECTING MISUNDERSTANDINGS. HE SUGGESTED LAULAN CIRCULATE WRITTEN REPORT OF HIS CONSULTATIONS, WHICH LAULAN SAID HE WOULD DO AFTER CLEARING WITH CONFIDENTIAL

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U.S. AUTHORITIES (DRAFT OF PROPOSED LAULAN REPORT BEING SENT SEPTEL). MCAULIFFE

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